

## Message Text

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42

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 USIE-00 SSO-00 NSCE-00 INRE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 5483

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E.O. 11652: N/A

TAGS: PFOR, VA, US

SUBJECT: EXTERNAL AFFAIRS MINISTER MACEACHEN SPEAKS ON US-CANADIAN  
RELATIONS

1. SUMMARY: EXTAFF MIN MACEACHEN SPOKE ON US-CANADIAN  
RELATIONS TO CANADIAN INSTITUTE FOR INTERNATIONAL AFFAIRS  
IN WINNIPEG JANUARY 23. MACEACHEN DESCRIBED PROBLEM OF  
LIVING "DISTINCTFROM BUT IN HARMONY WITH THE WORLD'S  
MOST POWERFUL NATION", AND CIRCUMSTANCES WHICH LED GOC TO  
ADOPT "THIRD OPTION", SEEKING POLICIES TO REDUCE CANADIAN  
VULNERABILITY TO US. AS EXPAMPLES SUCH POLICIES MACEACHEN  
MENTIONED EFFORTS TO STRENGTHEN RELATIONS WITH EUROPE AND  
JAPAN. HE SAID "SPECIAL RELATIONSHIP" HAD ENDED AND WOULD  
BE REPLACED BY A "MORE MATURE RELATIONSHIP" PERMITTING CLOSE  
TIES AND COOPERATION YET LEAVING EACH COUNTRY FREE TO PURSUE  
NATIONAL INTEREST CONSISTENT WITH INTERNATIONAL OBLIGATIONS.  
NEW RELATIONSHIP WOULD BE DIFFICULT AND COMPLEX, BUT "WE ARE  
EACH OTHER'S BEST FRIEND BY CHOICE AND CIRCUSTANCE AND WE  
WILL REMAIN SO." MACEACHEN DISCUSSED OIL EXPORTS, GARRISON  
DIVERSION, TRADE WITH CUBA BY US SUBSIDIARIES, AND SPOKE OF  
IMPORTANCE OF CLOSE CONSULTATION. END SUMMARY.

2. THIRD OPTION. MACEACHEN CITED SIZE OF TRADE WITH U.S.

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AND EXTENT OF US OWNERSHIP IN CANADA, COUPLED WITH

US ECONOMIC MEASURES OF 1971 AS MOTIVATION FOR CHOICE OF "THIRD OPTION," WHICH HE SAID "IS DEFINITELY NOT ANTI-AMERICAN." PURPOSE IS TO STRENGTHEN CANADA AND CREATE MORE RECIPROCAL AND HEALTHY RELATIONSHIP. THE SPECIAL RELATIONSHIP BEGUN AFTER WORLD WAR II, RESULTING IN US ECONOMIC AND CULTURAL PENETRATION, CAUSED CONCERN FOR CANADIAN INDEPENDENCE AND INTEGRITY, AND PREOCCUPATION WITH VULNERABILITY INCREASED AFTER AUGUST 1971. IN DEFENSE FIELD, HE SAID CIRCUMSTANCES CHANGING, SOVIET BOMBER THREAT REDUCED, BUT CANADA COMMITTED TO COOPERATION WITH US AND TO NATO OBLIGATIONS.

3. MACEACHEN DESCRIBED CHANGES IN US POLICIES REFLECTING FEELING OF AMERICANS THAT POLICIES SHOULD SERVE MORE IMMEDIATE AND DOMESTIC INTERESTS. VIEW IS TAKING HOLD IN US THAT SPECIAL RELATIONSHIP HAS WORKED TOO OFTEN TO CANADA'S ADVANTAGE. IN BOTH CANADA AND US THERE IS GROWING AWARENESS THAT SPECIAL RELATIONSHIP SERVES NEITHER BEST INTEREST. DEVELOPING MORE MATURE RELATIONSHIP "PERMITS US TO MAINTAIN CLOSE TIES, COOPERATE FULLY ON BILATERAL AND MULTILATERAL ISSUES, IS OF MUTUAL BENEFIT, YET LEAVES EACH COUNTRY FREE TO PURSUE ITS NATIONAL INTERESTS..."

4. OIL EXPORTS. MACEACHEN SAID GOC HAD DEMONSTRATED WILLINGNESS TO ASSIST US CONSISTENT WITH NATIONAL NEEDS. HE CITED OBJECTIONS FROM SOME QUARTERS IN US, BUT SAID CANADA COULD NOT BE EXPECTED TO SACRIFICE ITS OWN NEEDS. HOWEVER, RECENT US ACTIONS ON OIL PRICES HAVE RELIEVED THIS IRRITANT.

5. HE SAID COUNTRIES ARE INCREASINGLY INTERDEPENDENT, AND CONFLICTS OF INTEREST BOUND TO DEVELOP. IN THIS CONNECTION HE CITED US COUNTERVAILING DUTIES ON MICHELIN TIRES AS EXAMPLE OF HOW DOMESTIC PROGRAM, DESIGNED TO CORRECT REGIONAL DISPARITIES, CAN BECOME AN ISSUE WITH US.

6. CONSULTATION. MACEACHEN EMPHASIZED IMPORTANCE OF ADVANCE CONSULTATION. HE USED GARRISON IDVERSION AS EXAMPLE OF HOW TECHNICAL EXCHANGES AT WORKING LEVEL CAN AVOID POLITICAL CONFRONTATION, NOTING THAT PORTIONS OF PROJECT DIRECTLY AFFECTING CANADA HAVE NOT BEEN BUILT.

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UM ZSOME PROGRESS HAS TO BE MADE" WITH US ON ISSUE OF APPLICATION OF TRADING WITH THE ENEMY LEGISLATION TO US SUBSIDIARIES IN CANADA. CANADA CANNOT ACCEPT EXTRA-TERRITORIAL APPLICATION OF LAWS OF ANOTHER STATE. MACEACHEN MENTIONED PENDING CANADIAN LEGISLATION PROHIBITING COMPANIES FROM OBEYING FOREIGN LAWS, WHICH HE HOPED WOULD SOLVE LARGE PART OF PROBLEM. ALSO REQUIRED ARE CHANGES IN US LAW AND PRACTICE TO PERMIT CANADIAN COMPANIES TO PURSUE NORMAL EXPORT BUSINESS.

IM CONCLUDING, MACEACHEN CALLED RELATIONS FUNDAMENTALLY SOUND  
BUT IN DIFFICULT AND COMPEX NEW PHASE, AND REITERATED PLEA  
FOR CONSULTATIVE APPROACH TO US, "THE FIRST AMONG ALL OUR  
PARTNERS."  
PORTER

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